REVIEW OF MILITARY DEPARTMENT HEADQUARTERS STAFFS

Pursuant to Section 904 of the FY 1997 Authorization Act (P.L. 104-201) and Section 932 of the FY 1999 Authorization Act (P.L. 105-261)

The Military Department Headquarters staffs include the staffs of the Secretaries of the Army, Navy and Air Force and the staffs of the military Service Chiefs. ¹ The roles of these staffs are established in Title 10 of the United States Code, which delineates the major organizations responsible for national defense, and establishes their roles consistent with the Constitutional principle of civilian control of the military. These Departmental headquarters staffs comprise roughly one-third of one percent of the total manpower of the Military Departments.

This document reports on a review of these staffs, as required by Section 904 of the FY 1997 National Defense Authorization Act (Public Law 104-201). This Act stipulates that the Secretary of Defense shall "conduct a review of the size, mission, organization, and functions of the military department headquarters staffs." The legislation requires the review to include the following assessments:

- (1) An assessment of the adequacy of the present organizational structure to efficiently and effectively support the mission of the Military Departments.
- (2) An assessment of options to reduce the number of personnel assigned to the Military Department headquarters staffs.
- (3) An assessment of the extent of unnecessary duplication of functions between the Office of the Secretary of Defense and the Military Department headquarters staffs.
- (4) An assessment of the possible benefits that could be derived from further functional consolidation between the civilian Secretariat of the Military Departments and the staffs of the military Service Chiefs.
- (5) An assessment of the possible benefits that could be derived from reducing the number of civilian officers in the Military Departments who are appointed by and with the advice and consent of the Senate.

The review providing the main focus of this report was performed in 1995-96 under the leadership of the Deputy Secretary of Defense, with participation from the Secretaries of each of the Military Departments. As described in the body of this report, each of the *Departmental* Secretaries re-examined their Department's headquarters functions and organization in light of Title 10 responsibilities. The issues associated with the five legislative assessment criteria outlined above were addressed in the course

1

¹ Section 904(d) of the Authorization Act defines Military Department headquarters staffs as including: the Office of the Secretary of the Army, the Army Staff, the Office of the Secretary of the Air Force, the Air Staff, the Office of the Secretary of the Navy, the Office of the Chief of Naval Operations, Headquarters Marine Corps.

of the review, or in other Department of Defense (DoD) initiatives described below.

Although the 1995-96 headquarters review is the main focus of this report, that effort represented only one of many DoD initiatives to realign and downsize headquarters. In fact, headquarters' staffs have undergone a full decade of review, restructuring, and downsizing. Throughout the 1990s, the Military Departments have responded to major external and internal forces for change, including the amendments to Title 10 made by the Goldwater-Nichols Act of 1986, the evolving National Security Strategy, reductions in defense budgets, and the restructuring of defense programs and management resulting from the Defense Management Reforms, DoD's Bottom-Up Review, the Quadrennial Defense Review, and the Defense Reform Initiative.

The first section of this report describes the actions taken to realign and downsize staffs throughout the 1990s, in order to place the 1995-96 headquarters review in a broader context. The next three sections describe the work done by each of the Military Departments and the Office of the Secretary of Defense (OSD) in performing the review, and summarize their findings and proposals. The fifth section of the report focuses on three DoD-wide efforts addressing the relationship between OSD and the Military Departments' staffs. The concluding section describes the outcomes, and highlights ongoing initiatives.

The overall conclusions related to the Congressionally mandated assessment areas may be summarized as follows:

- (1) Each Departmental Secretary found that the overall structure of that Department's headquarters was appropriate for meeting its Title 10 responsibilities. The Departmental Secretaries therefore recommended, and the Deputy Secretary agreed, that it would not make sense to consolidate the Secretariat and the Service Chiefs' staffs.
- (2) The review prompted a number of specific changes within each of the Departments. These further reduced headquarters personnel, and consolidated staffs in those few areas where duplication remained between the civilian Secretariat and the staff of the military Service Chief.
- (3) Over the last decade, DoD has assessed and eliminated unnecessary overlaps and duplications of effort between the Military Department staffs and the OSD in major functional areas. Actions taken include those to create a unified acquisition system in implementing the Goldwater-Nichols Act, consolidation of financial management and other functional support activities, and OSD's divestiture of program management activities under the recent Defense Reform Initiative.
- (4) The potential for functional consolidation between the civilian Secretariats and the staffs of the military Chiefs of Staff was specifically reviewed in four functional areas: manpower and

personnel, construction and engineering, installations and environment, and legal. The Departmental Secretaries concluded that the existing staff structures are appropriate, but they outlined a number of specific adjustments to streamline staffs and improve coordination.

(5) The Departmental Secretaries concluded that the numbers of Assistant Secretaries on their staffs were not excessive, and were in fact required to meet their responsibilities.

The Department does not request any legislative changes as a result of this review.

CONTEXT

The review of Military Department headquarters staffs performed in 1995-96 represented a significant effort on the part of the Office of the Secretary of Defense as well as the Military Departments. It explored the roles of the *Departmental* Secretaries and Chiefs of Staff, and examined the size and composition of staffs needed for them to meet their responsibilities. In addition, the review looked closely at several functional areas to determine whether consolidation and staff reduction would be feasible.

The 1995-96 headquarters review was one of a series of initiatives to streamline and downsize headquarters staffs. To understand the issues addressed in the review, and the *Departmental* Secretaries' findings, it is essential to take account of the actions that preceded it.

The Military Departments started downsizing their headquarters staffs in the late 1980s. The process began with the Goldwater-Nichols Act amendments to Title 10, enacted in 1986. The Act realigned responsibilities within the Military Department headquarters and imposed statutory ceilings on the size of their staffs. This process was interrupted by the Gulf War, but began again in earnest following the war. A key driver of staff reductions in the early 1990s was the FY 1991 Defense Authorization Act, which required a twenty percent reduction in management headquarters between FY91-FY95.²

Table 1 shows the reductions made in Military Department headquarters staffs from 1989 to 1995. The Table also includes data on total headquarters, in order to put the Departmental headquarters in perspective.

3

² Section 906, FY 1991 Defense Authorization Act. The reductions made, as shown in Table 1, meet the requirements of the legislation.

TABLE 1. REDUCTIONS IN HEADQUARTERS STAFFS PRIOR TO THE 1995-96 HEADQUARTERS REVIEW

(NOTE: END STRENGTH REFLECTED BELOW FOR DEPARTMENTAL HEADQUARTERS INCLUDE STAFFS OF THE SERVICE SECRETARIES AND THE STAFFS OF THE MILITARY SERVICE CHIEFS, AND THEIR SUPPORT ACTIVITIES (AIR FORCE NUMBER ALSO REFLECTS THAT PORTION OF THE AIR FORCE PENTAGON COMMUNICATIONS AGENCY SUPPORTING THE OSD STAFF))

HEADQUARTERS ELEMENT	HEADQUARTERS STAFF IN 1989	HEADQUARTERS STAFF IN 1995	PERCENTAGE CHANGE
ARMY			
DEPARTMENTAL HQ	3,793	3,043	-20
TOTAL ARMY HQ	22,577	15,124	-33
DEPARTMENT OF THE NAVY			
DEPARTMENTAL HQ	4,122	2,792	-32
TOTAL DEPARTMENT OF THE NAVY HQ	17,805	14,182	-20
AIR FORCE			
DEPARTMENTAL HQ	4,200*	3,567	-15
TOTAL AF HQ	22,663	16,864	-26

Source: FYDP and Budget Data

A comparison across Military Departments of the relative cuts made in Departmental headquarters versus total headquarters illustrates the differing strategies followed in achieving this downsizing. As indicated, the Departmental headquarters account for roughly seventeen to twenty percent of the total headquarters. (The bulk of the Services' headquarters personnel are in the functional and combatant commands.) The Army and Air Force made proportionately smaller cuts in Departmental headquarters versus other headquarters activities; whereas the Department of the Navy made deeper cuts in its Departmental headquarters. In executing these strategies, the Military Departments were realigning the staffing at each level to be commensurate with the roles and missions of the Departmental headquarters versus the functional and combatant commands.

These staff reductions were accomplished through a variety of mechanisms. In some cases, they reflected generalized belt-tightening and "across-the-board" cuts; but they also embodied efforts to restructure and rationalize staffs. For example, the Air Force undertook a major organizational transformation in the early 1990s. The Army implemented more modest realignments through its Transformation Strategy, while pursuing outsourcing and privatization of headquarters functions. The Department of the Navy's realignments during this period were primarily aimed at improving the integration of programs across the major warfare

^{*} The Air Force's 1989 baseline is adjusted to reflect a 1991 redefinition of headquarters. The new definition added 529 billets to the existing headquarters staff. These data are explained in the subsequent section covering the Air Force.

communities, and at tightening the strategic linkages between the Navy and the Marine Corps.

SCOPE OF THE REVIEW

The 1995-96 Headquarters Staff Review was undertaken in response to the recommendations of the Commission on Roles and Missions of the Armed Forces.

FINDINGS OF THE CORM AND THE CHAIRMAN'S INITIAL RESPONSE

In its May 1995 report, the Commission recommended the consolidation of Secretariat and Service staffs.³ The Commission argued that the presence of separate staffs for the *Departmental* Secretaries and the military Chiefs of Staff, as illustrated in Table 2, undermines the integration of effort, and forces the respective staffs to specialize in either "civilian business functions" or "military functions." Efforts to reduce duplication and improve specialization make it difficult for both the Secretaries and the Service Chiefs to maintain cognizance over their broad leadership responsibilities. The Commission therefore proposed to introduce a structure in which military and civilian staffs would be consolidated and would report to the *Departmental* Secretary through the Service Chief. The Chairman of the Joint Chiefs of Staff's assessment of the CORM report supported the Secretary of Defense in concluding that a study of the CORM's headquarters proposal was needed.

In recommending further study of this issue, the Chairman outlined the counter-argument to the CORM's proposal: The *Departmental* Secretariats and the military staffs serve distinct purposes and provide two sources of advice to *Departmental* Secretaries. The military staff supports the Service Chief in his statutory role. The *Departmental* Secretary's political appointees and staff provide another source of counsel. If the staffs were combined and political appointees reported to the *Departmental* Secretary through the Chief of Staff, the inevitable filtering of civilian advice would detract from the unique value their counsel provides the Secretary. Finally, while the CORM proposal poses problems for the single-Service departments, it would be especially difficult for the Department of the Navy and its two Services to implement.

5

³ Directions for Defense, Report of the Commission on Roles and Missions of the Armed Forces, May 24, 1995.

Table 2. Organization of the Military Department Headquarters Staffs

^{*} Sole responsibility of the Secretary under Title 10.

THE EXISTING HEADQUARTERS STRUCTURES

The structure of the existing headquarters staffs illustrated in Table 2 provides a functional perspective of the *Departmental* Secretariats and military staffs. The functions identified in the Table are common across the Departments, except where noted. Each Department is organized somewhat differently, in that the functions are assigned to different officials or are combined in different ways.

The functions described in Table 2 reflect the statutory roles assigned to the *Departmental* Secretaries and the military Chiefs of Staff by Title 10. Thus, Title 10 provides the framework for understanding and assessing the activities performed by the headquarters staffs.

The roles established by Title 10 were altered by the 1986 Goldwater-Nichols Act. The Act made fundamental changes in the responsibilities of the Chairman of the Joint Chiefs of Staff, the Service Chiefs, and of Commanders in Chief of the Combatant Commands. It also created the Under Secretary of Defense for Acquisition and strengthened the Departmental Secretaries' responsibilities for acquisition and financial management. Title 10 requires that each Department have one Assistant

^{**} The Army has 5th Assistant Secretary (Civil Works)

^{***} Judge Advocate is in the Secretariat in the Department of the Navy

Secretary who is responsible for Manpower and Reserve Affairs, and that the Army have an Assistant Secretary for Civil Works. Title 10 also gives the Departmental Secretary sole responsibility for performing functions in the areas of legislative affairs, public affairs, inspector general, auditor general, and information management.

While there is some specialization in the roles of the Secretary and Service Chief, both have responsibilities that span the full range of the Services' roles and responsibilities. The Departmental Secretaries' staff focus on the broad Title 10 responsibilities of that office, plus the activities that are the sole responsibility of the Secretaries. The staffs supporting the military Chiefs of Staff focus on operational and programming matters, as well as supporting the Chiefs as advisor to the Departmental Secretaries and in their role as members of the Joint Chiefs of Staff.

THE DEPUTY SECRETARY'S TASKING

In July 1995, Deputy Secretary of Defense John White tasked the Departmental Secretaries to "develop a proposal or set of proposals for restructuring the Service and Secretariat staffs that would conform with the Commission's recommendation." He also asked the Service Secretaries to examine a related Commission recommendation to reduce the number of Senate-confirmed, political appointees in the Secretariats. He indicated that he would use the Service inputs in preparing the Department's response to the Commission's recommendation.

In subsequent guidance, the Deputy Secretary also directed the Departmental Secretaries to investigate possible functional consolidation in four specific areas where, after an initial review, he saw the greatest potential for overlap or duplication. These were: construction and engineering; installations and environment; manpower and personnel; and General Counsel and Judge Advocate General.

Although the Deputy Secretary's tasking focused specifically on the recommendations of the Commission on Roles and Missions, addressing this tasking required the Departmental Secretaries to address the same issues as raised by Congress in Section 904 of the FY 1997 Defense Authorization Act. The Departmental Secretaries assessed the structure of their organizations, options to reduce staffs, the extent of duplication between the Secretariats and the staffs of the Service Chiefs, and the need for political appointees. The results of their assessments are reported in the following three sections. The one area not explicitly addressed by the Departmental Secretaries was the degree of overlap between OSD and Service headquarters. This area has been addressed in a number of Department-wide initiatives, as described in a separate section following the presentation of the Military Departments' reviews.

⁴ Deputy Secretary of Defense, Memorandum on "Roles and Missions Commission Recommendations on Restructuring the Military Department Staffs," 19 July 1995.

THE ARMY'S REVIEW

The 1995-96 DoD-wide headquarters review coincided with the Army's decision to conduct a major review and realignment of its headquarters staffs. The Army had made modest structural changes as it downsized in the early 1990s, but it now determined that the time was right to consider more fundamental change. After reducing its Departmental headquarters staffs by 20 percent from 1989 to 1995, the Army reduced these staffs an additional 5 percent between 1995 and the end of 1998.

CONTEXT

Since the end of the Cold War, the Headquarters of the Department of the Army (HQDA), and its two component parts – the Office of the Secretary of the Army (the Secretariat) and the Army Staff – have undergone numerous reorganizations and reductions.

As with all the Military Departments, the Goldwater-Nichols Act in 1986 led to the first significant reorganization of HQDA in recent times. Goldwater-Nichols established a ceiling for HQDA military and civilian positions and realigned/consolidated the comptroller, and research, development, and acquisition functions, making the civilian leadership more directly responsible for these areas.

As noted earlier, a major driver for staff reductions in the early 1990s was the FY91 Defense Authorization Act. It directed a twenty percent reduction in total Military Department management headquarters between the end of FY90 and the end of FY95. The Army achieved its required reductions through a number of small steps, reflecting specific Army efforts to increase management efficiency.

One of these efforts resulted from the 1993 Transformation Study, which led to a consolidation of budget functions and information management support services. This initiative decreased HQDA manpower, as well as staffs in the field operating agencies and the staff support agencies. The HQDA reduction was primarily obtained by consolidating a number of installation management offices into a new office, the Assistant Chief of Staff for Installation Management, and by consolidating a number of information management offices into an information management support center. Another initiative that contributed to HQDA staff reductions was the Reinventing Government effort in FY93-95. It focused on reducing the cost of government operations, increasing privatization, and improving the processes for determining joint requirements.

As the result of these initiatives, and general economy moves, Army Departmental headquarters staff was reduced twenty percent from FY89 to FY95.

THE 1995-96 HEADQUARTERS STAFF REVIEW AND THE ARMY HEADQUARTERS FUNCTIONAL AREA ANALYSIS

The most significant recent effort to reorganize the Army headquarters began in May 1995 when the Army initiated a Headquarters Redesign Functional Area Analysis (FAA). This effort was tied to a January 1995 joint initiative by the Secretary of the Army and the Chief of Staff of the Army to redesign the headquarters and functional commands throughout the Army. The FAA study began just as the Commission on Roles and Missions issued its report; the CORM proposals were included in the issues the study considered. Thus the Army's review coincided with, and supported, the Department-wide 1995-96 headquarters review.

A combined team from the Secretariat and the Army Staff conducted the FAA. The study addressed the HQDA itself, as well as the staff support agencies and the field operating agencies that support the HQDA staff. It included four phases: (1) The team first reviewed the history of past headquarters reduction efforts. (2) They then analyzed the HQDA staff workload to identify activities linked to the HQDA core responsibilities, and those activities that could be performed in non-headquarters organizations. They found that about one third of the HQDA staff workload involved activities that could be delegated to subordinate major commands. (3) The team analyzed a number of alternative organizational designs, including the CORM's consolidated staff proposal. (4) Finally, they conducted a number of functional area reviews of specific headquarters activities.

The HQDA functional area analysis was concluded in March 1996. The team reached a number of significant findings and recommendations.

Structure

The review concluded that the existing HQDA structure needed to be changed. However, it rejected two alternatives entailing radical overhaul.

The first of these radical overhaul options was similar to the CORM model. It entailed a single staff reporting through the Chief of Staff to four civilian political appointees. This option was rejected by the Secretary of the Army because of his concerns (a) that HQDA be organized in such a way as to ensure its ability to operate effectively in its dealings with Congress, OSD, and OJCS; and (b) that it be structured to allow the Secretary of the Army and the Chief of Staff to perform their Title 10 duties. In this regard, the Chief of Staff must have a military staff that can support him in his role as a member of the Joint Chiefs of Staff, and the Secretary must have a civilian staff that can provide independent assessments and advice.

The second radical overhaul option entailed a combined staff model, with civilian-headed and military-headed staff organizations reporting to a

command group consisting of the Secretary and Under Secretary as well as the Chief and the Vice Chief of Staff. This option also was rejected. The review team concluded that this approach was seriously flawed because of the ambiguous nature of the reporting lines into the command group.

The FAA did, however, propose two less radical organizational changes that consolidated functions and improved the effectiveness of HQDA staffs. The first created a Deputy Under Secretary of the Army for International Affairs supporting the Secretary and the Chief of Staff in fulfilling their Title 10 and Title 22 responsibilities. This new office allowed the consolidation of several international affairs offices and permitted a thirty percent staff reduction in this area.

The second proposal created an Assistant Vice Chief of Staff (AVICE) for Requirements and Program Development. The AVICE was given the responsibility to matrix-manage staff elements involved in planning, requirements development, and programming and to facilitate the dialogue and cooperation between the Secretariat and the Army Staff on programming matters.

Senate-confirmed, political appointees

The Secretary of the Army personally addressed this issue. He determined that the current number of Senate-confirmed, political appointees was appropriate and necessary for him to perform his functions.

Review of functional consolidations

The FAA also proposed limited readjustments within the staff in response to the Deputy Secretary's directive to review the manpower, installations, construction, and legal support functions. The team concluded that, in general, the merger and consolidation of Secretariat and Army Staff offices in these areas would provide few or no opportunities for staff reductions or operating efficiencies. Accordingly, both the offices of the Assistant Secretary for Manpower and Reserve Affairs and the Deputy Chief of Staff (Personnel) were maintained. Similarly, the offices of the Assistant Secretary for Installations, Logistics, and Environment and the Assistant Chief of Staff for Installation Management remained separate.

While rejecting consolidation, the team recommended that the staffs responsible for manpower, installations, construction, and legal functions be reduced in size and that some of the activities within these organizations be combined. The review team also proposed that committees, jointly chaired by the Secretariat and military staffs, be formed in these functional areas to better coordinate planning, program, and budget activities.

Staff reductions

The FAA concluded that, while the overall structure of HQDA was sound, there nevertheless was considerable potential for the HQDA to divest itself of operational and implementation activities. From 1995 to 1998, the Army's Departmental staff has been reduced an additional five percent.

The FAA also concluded that aggressive staff cuts in support agencies and field operating agencies were possible; it proposed that these organizations be reduced from almost 35,000 to about 17,000. Most staff would be transferred to other organizations within the Army, but about 6,300 would be eliminated – a savings of approximately eighteen percent. These proposals have subsequently been incorporated in the Army program, and are being implemented.

THE DEPARTMENT OF THE NAVY'S REVIEW

The 1995-96 headquarters review came at a time when the Department of the Navy staff had already been reduced by nearly one-third. There was concern entering the headquarters review that additional cuts – without cutting or realigning functions – risked undermining the Navy Department's ability to fulfill its statutory responsibilities. Moreover, because the Department of the Navy comprises two Services, they argued that the CORM's recommendation for consolidating staffs could not be applied. Despite these reservations, the Department of the Navy conducted an in-depth review of its staff, and identified additional initiatives that would reduce its headquarters staffing. After reducing its Departmental headquarters and support staffs by 32 percent from 1989 to 1995, the Department of the Navy reduced these staffs an additional 9 percent between 1995 and the end of 1998.

CONTEXT

During the early 1990s, headquarters activities throughout the Department of the Navy were reduced as part of overall reductions mandated for management headquarters in particular and civilian personnel in general. The Navy Secretariat, as well as the staffs of the Chief of Naval Operations and the Commandant of the Marine Corps, participated in these reductions, reducing staffing by almost one-third from the end of FY89 through the end of FY95.

During this same period, the Chief of Naval Operations' staff was reorganized to improve integration across warfare areas and with the Marine Corps in developing the Navy program. Subsequently, the Marine Corps Commandant's staff underwent a similar reorganization. The Department of the Navy also developed a common strategic concept for the Navy and Marine Corps, redesigned the programming process to integrate further the thinking of the two Services and the Secretariat, and

made the decision to collocate related Navy and Marine Corps staff elements.

By the time the CORM recommendations were published, there was a consensus among senior managers within the Department of the Navy that further staff reductions needed to be accompanied by reductions in functions or workload. The Department of the Navy had already eliminated any duplication and overlap within its staffs.

THE 1995-96 HEADQUARTERS STAFF REVIEW

The review of the CORM's recommendations was led by the Under Secretary of the Navy with participation of the Assistant Secretaries and General Counsel. This group drew on an effort that had been initiated previously by the Secretary of the Navy to examine the functions and staffing of the Secretariat and organizations reporting to it.

Structure

In commenting on the CORM's recommendation to consolidate the staffs of *Departmental* Secretaries and Service Chiefs, the Secretary of the Navy pointed to the CORM's own recognition that this posed special challenges for the Department of the Navy because it included two Services. The Secretary noted that integration under one of the two Service Chiefs was not a viable option. He also noted that the Navy Secretariat played an especially important role in finding opportunities for collaboration between the Services and in resolving points of disagreement. He also noted the efforts to strengthen integration between the Navy and Marine Corps described earlier.

Senate-confirmed, political appointees

The Secretary disagreed with the CORM's conclusion that it is difficult to recruit highly capable political appointees, and he disagreed with the recommendation that flowed from it, which was to reduce the number of such individuals to three or four. He pointed to a number of former political appointees in the Department of the Navy who had gone on to serve in high-level positions in other government organizations. He also noted the extensive experience of then-current Department of the Navy appointees within the Department of Defense or with military affairs. He stated that three or four Senate-confirmed, political appointees would be insufficient to ensure realistic civilian control of the Department or to enable the President to achieve his goals.

Review of functional consolidations

The Department of the Navy's review of opportunities for consolidation or streamlining among key functional communities reached the following conclusions:

- <u>Legal</u>. The Department of the Navy found that the General Counsel focused on matters under civilian law while the Judge Advocate General focused on matters under military law. Thus, there was almost no duplication of effort or opportunity for consolidation.
- Environmental. Within the Secretariat, only six individuals from a total of over 5000 individuals in this area, throughout the Department had any involvement in environmental matters. Because environmental matters require extensive work outside the Department of Defense with national, state, and local environmental agencies as well as with Congress, this minimal involvement by the Secretariat was deemed necessary.
- Civilian Personnel Management. In this area, significant reductions were found to be possible, although not quite in the way the CORM had envisioned. As part of the reorganization of civilian personnel management activities throughout the Department of the Navy, the Office of Civilian Personnel Management, which had reported to the Assistant Secretary for Manpower and Reserve Affairs, was abolished. Some positions were moved to the new Navy-wide regional service centers, but 160 positions were eliminated. (Department-wide, the Navy has programmed to eliminate almost 1900 billets through reorganization of the civilian personnel management function.)

Staff reductions

The Secretary of the Navy also endorsed applying to the Secretariat other CORM recommendations about privatizing functions wherever possible, reducing redundancies between the Secretariat and Service staffs, and generally decreasing the size of headquarters as part of the downsizing of DoD. Since 1995, Departmental staffs have been reduced an additional nine percent.

To evaluate options for privatization and streamlining staffs, the Secretary chartered a review of the functions and staffing of the Secretariat and organizations that reported directly to it, whether or not these organizations met the formal definition of a headquarters or headquarters support activity. The initial review was performed by a group of about 30 individuals who were members of the Senior Executive Service or flag or general officers and who had extensive experience at the Departmental level of the Navy. That group reviewed 22 Secretariat activities, accounting for about two-thirds of all headquarters billets, and developed 42 proposals for possible realignment and streamlining. Each proposal was

reviewed by the appropriate Assistant Secretary, or the Under Secretary himself for organizations that reported directly to him. Those proposals that passed the first review were studied in greater depth in an effort to develop implementation plans.

As a result of this review, the Department of the Navy abolished, reengineered, or downsized several areas. The major ones are described below.

- Information Management. The Department of the Navy abolished the Naval Information Systems Management Center, which had reported to the Assistant Secretary for Research, Development, and Acquisition. A few billets were transferred outside of Departmental headquarters, but 144 billets were eliminated.
- <u>International Acquisition Programs</u>: Reorganization of management of foreign military sales and related programs saved 49 billets.
- Audits: From 1995 to 1998, the Naval Audit Service reduced the size of headquarters staff by eight percent. The Auditor General and the Naval Audit Service are examining the possibility of contracting for all or part of the extensive financial audits required by the Chief Financial Officers Act of 1990 and subsequent related legislation. Since this function is now performed within the government, a formal costbenefit study under the ground rules of Office of Management and Budget circular A-76 must be conducted. If the study demonstrates that outsourcing is feasible and cost-effective, then the Audit Service might eventually be reduced significantly.
- Criminal Investigation: The largest field activity of the Navy Secretariat is the Naval Criminal Investigative Service (NCIS). It has undertaken a thorough review of all its operations and identified numerous opportunities for achieving efficiencies. From 1995 to 1998, NCIS has reduced headquarters staff by eight percent. Examples include:
 - partnering with counterparts in the other Military Departments to share office space and support services;
 - integrating training activities with the Federal Law Enforcement Training Center;
 - integrating operations with those of the Marine Corps Criminal Investigative Division, saving staff and cost for both; and
 - streamlining adjudication operations, thereby reducing staffing by fifteen percent.

These actions have allowed NCIS to respond to new demands while reducing personnel and other costs of operations.

THE AIR FORCE REVIEW

The Air Force aggressively restructured its forces and headquarters in the early 1990s. Thus, it entered the 1995-96 headquarters review confident that it had established the right overall structure. While retaining this structure, the Air Force nevertheless re-examined staffing, and committed to an additional ten percent reduction in its headquarters staffs. In fact, from 1995 to 1998, the Air Force reduced its Departmental headquarters and support staffs by 17 percent. This was in addition to the 15 percent reductions already made from 1989 to 1995.

CONTEXT

Over the last decade, the Air Force has restructured its forces and organizations to better meet the needs of combatant commanders and to improve the effectiveness of the Service, while reducing the size of both its force and management headquarters. These organizational shifts were made in light of changes in national policy and strategy. In addition, the allocation of fewer resources to the Services during this period, and lessons learned from the Gulf War in early 1991, were factors in motivating the Air Force to reorganize its staffs and operational forces.

Three restructurings were made in the 1990s – the first was in 1991-1993, the second in 1996, and the third in 1997-1998.

The 1991 restructuring was a self-imposed, comprehensive review driven by a need to meet the challenges of the Air Forces employment doctrine (Global Reach–Global Power), an opportunity to capitalize on advancements in communications and technology, and an occasion to seek management efficiencies and flatten the organizational structure. It was intended to prepare the Air Force to engage multiple smaller adversaries, while simultaneously supporting smaller diverse tasks worldwide.

The changes also were influenced by the mandates of the Goldwater-Nichols Act. The Air Force restructuring moved some management and oversight functions, which had previously resided in the Air Staff, into the Air Force Secretariat. This included transferring manpower slots necessary to manage or maintain oversight, where required by law.

This restructuring reshaped the entire Air Force. Organizations at every echelon of management and operations were restructured, from headquarters down to and including operational wings and squadrons. The consolidation resulted in reducing the Air Force's 13 major commands to 9, and eliminating 21 Air Divisions as intermediate headquarters. The restructuring established 16 Numbered Air Forces, growing from the prior 13 Numbered Air Forces. To keep headquarters staffs from growing, the staffs of the Numbered Air Forces were limited, and their mission focus was tightened.

The reduction of Air Force Departmental staffs in the early 1990s was significantly impacted by a transfer of manpower from Air Force field operating agencies and Direct Reporting Units to the Air Staff and Secretariat. In 1991, the Chief of Staff directed a "truth in advertising" campaign to accurately establish a true Departmental headquarters Air Force manpower baseline. All policy, planning, and programming positions in field units were added to the Air Staff and Secretariat manpower baseline – an increase of 529 positions. The Air Staff and Secretariat were then restructured and reduced starting from this new, higher baseline. However, because transfers to headquarters and cuts taken from headquarters staffs were made within a single fiscal year, these changes were reflected in internal manpower documents but were not captured in the headquarters data reported to OSD and Congress. The Chief of Staff did brief this reorganization to Congress, however.

Although the impact of the restructuring on other headquarters staffs is beyond the scope of this report, it is important to note that impacts of the 1991 restructuring went well beyond the headquarters staffs. For example, the reduction from 13 to 9 MAJCOM organizations has to date resulted in roughly 32 percent fewer management headquarters personnel in the MAJCOMs, with a programmed further reduction of about nine percent by FY03.

The Air Force also has targeted significant reductions in its Field Operating Agencies (FOA). FOAs perform Air Force-wide activities that are beyond the scope of any one MAJCOM.

The 1991 restructuring established the roles and relationships which, in the main, have continued in effect. Although there has been subsequent fine-tuning (as noted below), the relationship of the Air Staff's to the Secretariat's organization has not changed significantly since the 1991 restructuring. The Air Staff is focused on policy, programming, planning, budgeting, and operational functions needed to support the commands in the field, while the Secretariat guides Air Force business functions, as required by law.

THE 1995-96 HEADQUARTERS REVIEW

The 1995-96 headquarters staff review prompted the Air Force to reexamine the roles of each echelon: the Secretariat in policy, oversight, and civilian control of the military; and the Air Staff in providing the Chief military advice in his capacity as a member of the JCS.

Structure

The Secretary reaffirmed that the structure established earlier in the decade remained appropriate. The Secretary indicated that the changes suggested by the CORM would require significant revisions in Title 10. She also noted that Title 10 mandates the separation between the

Secretariat and Service staffs, and reserves a number of functions as the sole responsibility (acquisition and comptroller) of the Secretariat. Further, she expressed a concern as to whether it was prudent to combine staffs and thereby deprive either the Secretary of the Air Force or the Air Force Chief of Staff of independent advice in each individual's area of responsibility.

While rejecting a major overhaul of the staffs, the Air Force review prompted some additional initiatives to strengthen coordination between the Secretariat and the Air Staff. One such action improved the existing programming and budgeting process by adopting integrated product teams. Another introduced common staff meetings to coordinate activities and issues within the Air Force.

Senate confirmed, political appointees

The Air Force Secretary determined that the numbers of Assistant Secretaries were not excessive, and were in fact required to meet her responsibilities.

Functional area consolidation

The Air Force findings on the Deputy Secretary's proposed functional consolidations were mixed.

The General Counsel and the Judge Advocate General were not consolidated. These organizations have different roles, and their work is well coordinated.

The Air Staff consolidated responsibility for Installations and Logistics under one Deputy Chief of Staff on 1 January 1997, by bringing the Air Force's Civil Engineer – who has responsibility for managing installations and the environment – under the Deputy Chief of Staff for Installations and Logistics.

The Secretariat staffs responsible for civilian manpower and personnel were not consolidated with those of the Chief of Staff, because the Air Force believed the sharing of headquarters' responsibilities in this area is appropriate. Moreover, the Air Force previously had consolidated military and civilian force management under the Air Force Personnel Center (AFPC) at Randolph AFB, Texas. This consolidation provides an effective approach for managing the combined work force.

Headquarters staff reductions

The Air Force committed to the Deputy Secretary of Defense that it would cut Departmental headquarters an additional ten percent as a result of the headquarters review. The Air Force has, in fact, reduced Departmental and support headquarters staffs by seventeen percent since 1995.

Subsequent actions

The Air Force has continued to realign its headquarters staffs as needed to improve effectiveness. The changes made since the 1995-96 headquarters staff review have focused mainly on improving the effectiveness of the Air Staff in operational matters. In 1996, one key staff organization was reorganized and a new one created. The Deputy Chief of Staff for Operations was reorganized to include most of the functions needed to manage support of operational forces. The DCS Plans and Programs was added, thereby centralizing Air Force-wide programming and planning functions, including an office that has responsibility for long-range planning. Finally, several elements responsible for nuclear and counterproliferation matters were moved into one directorate.

Subsequent restructuring was done in 1997-98, as the Air Force reoriented its concept of operations to better support the national policy of Global Engagement, to reinforce the importance of operations in space and joint operations, and to strengthen coordination of operational units and force protection elements. Two small, subordinate staff elements were created to improve support for Global Engagement policy. One, the Expeditionary Force Implementation Directorate, is an integral part of Air and Space Operations; this directorate is planned to have a short life, probably dissolving in less than two years. The second, a security forces directorate, is intended to improve coordination between operational units and their force protection elements.

The 1997-98 restructuring also clarified and realigned the roles and responsibilities of the Assistant Secretary for Space regarding Acquisition matters, and created of the Deputy Chief of Staff for Air and Space on the Air Staff.

OSD AND MILITARY DEPARTMENT HEADQUARTERS

The Department of Defense has assessed and realigned the roles of and relationships among the OSD and *Departmental* headquarters' staffs in several major functional areas over the last decade. This section summarizes DoD's actions and accomplishments in this area in response to paragraph three of Section 904 of the FY 1997 Defense Authorization Act.

Over the last decade, there have been three major initiatives with broad impacts on OSD and Military Department headquarters relationships. The first was the creation of a unified acquisition community as stipulated in the Packard Commission's Report and the Goldwater-Nichols Act. The second was the assessment and consolidation of support activities under the Defense Management Reforms. The third is OSD's divestiture of a range of operational or program management activities through the ongoing Defense Reform Initiative. These efforts reflect DoD's continuing efforts to assess and realign headquarters relationships among its component organizations, consistent with its responsibilities established in Title 10.

The Goldwater-Nichols Act, the Packard Commission, and associated implementing actions instituted a DoD-wide restructuring of acquisition organizations, and initiated a process of acquisition reform.⁵

One key purpose of acquisition reform was to clarify roles and responsibilities in the acquisition area. The roles and responsibilities of OSD and the Military Departments were assessed in preparing, debating, and implementing these reforms. The end result has been the establishment of clear, short lines of authority for managing acquisition programs. A new Under Secretary of Defense for Acquisition was established. Program Managers report to the Under Secretary through at most two intervening layers of management: a Program Executive Officer and a single Service Acquisition Executive. To implement this framework, the Goldwater-Nichols Act gave sole responsibility for acquisition oversight within the Military Departments to the Secretariats.

DoD has further developed this framework through a number of additional acquisition reform initiatives. In recent years, the introduction of integrated product teams, with members from the key acquisition functional areas, have replaced much of the committee-based process that had been used previously to manage and oversee procurement programs.

Through reforms such as these, DoD has reduced layers of management. It has cut the acquisition work force substantially at all levels; it also has eliminated overlapping acquisition responsibilities among the Office of the Secretary of Defense and the Military Department staffs, creating an integrated acquisition process and team, Department wide.

The Defense Management Review represented a second major milestone in DoD's assessment and realignment of the roles of OSD and Military Department headquarters. An underlying principle of the DMR was to reduce costs by streamlining management headquarters organizations and functions, cutting excess infrastructure, eliminating redundant functions, and initiating standard business practices throughout the Department.

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⁵ The new acquisition system was implemented in part by the Goldwater-Nichols Act of 1986, the Defense Acquisition Improvement Act of 1986, and National Security Decision Directive 219.

The Defense Finance and Accounting System (DFAS) provides an excellent example. It was chartered in July 1990 in order to establish a central agent for standardizing and consolidating finance and accounting functions. To achieve this, DFAS was given policy responsibility for the DoD Financial Management Regulation, as well as for day-to-day operations. By centralizing policy formulation, standardizing systems, consolidating locations, and implementing more modern technologies, DFAS has significantly reduced costs. Over 300 defense finance and accounting offices have been consolidated into a headquarters, five centers, and eighteen operating locations; over 200 separate DoD accounting systems have been eliminated. DFAS continues to consolidate finance and accounting centers and to reduce its infrastructure. Since 1991, it has reduced staffing levels from approximately 31,000 to about 21,000 through FY98; further reductions are planned to about 15,000 by 2003.

Although the efficiencies of this consolidation come mainly at the working level, there have been savings in headquarters as well. These result from the centralization of policy and from increased standardization and uniformity.

In a parallel fashion, DoD has reassessed and consolidated operations in other major functional support areas over the last decade. In each case, the rationalization of headquarters functions across DoD was a consideration. Some representative examples include the transfer of logistics functions into the Defense Logistics Agency, the consolidation of commissary operations under the Defense Commissary Agency, the consolidation of contract management activities in the Defense Logistics Agency's, Defense Contract Management Command, and the consolidation of civilian personnel policy and administration in the DoD Human Resources Activity.

These initiatives for building a more unified acquisition system and for consolidating support activities are creating more effective and efficient structures in several of the largest functional areas. In the process of doing this, the Department has also assessed headquarters relationships and clarified and simplified headquarters roles and responsibilities.

Most recently, working through the Defense Reform Initiative, Secretary Cohen is implementing his philosophy of focusing OSD on "corporate" functions. OSD is thus divesting a wide range of activities that entail operations or program management, and pushing these to the lowest appropriate organizational level. In total, OSD has cut headquarters staff authorizations by one-third.

This initiative addresses another source of potential overlap and duplication between OSD, the Defense Agencies, and the Military Departments. By getting out of operational management activities, OSD is clarifying the roles and responsibilities of headquarters staffs versus

operational personnel, and providing managers with the authority to consolidate headquarters functions. An excellent example of this is the delegation of the chemical weapons demilitarization functions to the Department of the Army. The Secretary of the Army will streamline performance of these functions. The Army also has been delegated responsibility for military support to civil authorities for responding to domestic emergencies and attacks involving weapons of mass destruction.

Other examples further illustrate the kinds of delegations that will reduce OSD's involvement in operational management activities that give rise to the potential for overlap and duplication.

- Transfer of the Nuclear Command and Control System function and the resources and support staff to the U.S. Strategic Command (USSTRATCOM) from the Assistant Secretary of Defense (C3I).
- Transfer of operational management functions to the Defense Security Cooperation Agency (DSCA). OSD has transferred the program management and implementation functions of the Humanitarian Assistance and Humanitarian De-mining Programs; transferred the Warsaw Initiative (Partnership for Peace) program management functions; and transferred program management functions for Armaments Cooperation Programs, Export Loan Guarantee Programs, and Foreign Cooperative Testing.
- Transfer of the oversight, control, and management of the day-to-day operations of the Department of Defense Overseas Military Banking Program from the USD (Comptroller) to the Defense Finance and Accounting Service (DFAS). DFAS will also assume day-to-day operational and program management responsibility for the DoD Credit Card Program and the International Merchant Purchase Authorization Card (IMPAC). Transfer of the U.S. NATO Advisor administrative support function to the Army
- Dis-establishment of the Defense Airborne Reconnaissance Office (DARO).

These divestitures will significantly reduce OSD involvement in operational matters by delegating responsibility to the Military Departments or Defense Agencies. In many cases, these transfers will allow the consolidation of parallel headquarters staffs in these areas.

The initiatives outlined here – establishing unified acquisition structures, acquisition reform, consolidating functions in defense agencies, and divestiture of OSD operational management activities under the Defense Reform Initiative, have all contributed to reducing redundancies and overlaps in the headquarters functions performed by OSD and Military staffs. The Department is pleased with the progress to date, and DoD's leadership continues to strive for improvements in the effectiveness and efficiency in defense organizations.

RESULTS

The cumulative effect of the assessments and actions described here has been to establish more effective and efficient staffs in the Military Department headquarters. In taking these actions, the Department has addressed the issues raised in Section 904 of the FY 1997 National Defense Authorization Act. The Department has realigned and continues to realign roles and responsibilities within the framework established by Title 10 to create effective and efficient headquarters staffs. The Department does not request any legislative action to facilitate this process.

The Military Departments undertook significant restructuring in the last decade. In the early 1990s, they implemented the Goldwater-Nichols Act and they consolidated support functions through the Defense Management Reforms. Between 1980 and 1995, they reduced their Departmental headquarters staffs by between 15 percent and 32 percent. Total staffs, including combatant and functional staffs, were reduced by even more. Through these changes the potential for overlap, both within the Military Department headquarters staffs, and between them and OSD, were substantially reduced.

In 1995, when the then Deputy Secretary tasked them to review the recommendation of the Commission on Roles and Missions that the Secretariats and staffs of the Military Chiefs of Staff be consolidated, the *Departmental* Secretaries argued against such a change. The Deputy Secretary of Defense and his Senior Advisory Group accepted their recommendation. The Deputy Secretary concluded from the Military Departments' reviews that consolidation of the Secretariats and Services staffs would fundamentally alter civil-military relationships within the Department. The potential unintended consequences of such a move have not been fully explored, and can only be considered in the context of a thorough rethinking of DoD-wide roles and responsibilities established in Title 10.

The Deputy Secretary did, however, task each Military Department to pursue the planned reorganization and streamlining initiatives identified in their reviews. As described in this report, a number of specific changes within each of the Departments were made.

One indicator of the impact of the review is that, subsequent to its completion, the Department has continued to reduce Military Department and support headquarters staffs. Between FY95 and the end of FY98, the Army cut its Departmental headquarters staff by an additional five percent, the Department of the Navy by nine percent, and the Air Force by fifteen percent. These reductions illustrate the impact of the 1995-96

22

⁶ John White, "Roles and Missions Senior Advisory Group Decision Memorandum," Office of the Deputy Secretary of Defense, 3 June, 1996.

review, and demonstrate DoD's continuing commitment to modernizing and streamlining defense management.

Through the Secretary's Defense Reform Initiative, the Department continues to seek increased efficiency and effectiveness in its headquarters structures and processes. The DRI has targeted future reductions over the Future Years Defense Program averaging ten percent (from a 1998 baseline). In addition, as described here, the DRI is also reducing OSD's involvement in operational management activities, and thus further reducing the potential for overlap and duplication between OSD and the Military Departments' headquarters staffs. Through the DRI and other management processes, DoD continues to evaluate organizations and budgets in order to align staffs with evolving missions and responsibilities.



1010 DEFENSE PENTAGON WASHINGTON, DC 20301-1010



APR 28 1999

Honorable Jerry Lewis
Chairman, Subcommittee on Defense
Committee on Appropriations
House of Representatives
Washington, DC 20515-6018

Dear Mr. Chairman:

As you know, Section 932 of the FY 1999 National Defense Authorization Act (NDAA) requires the Department to submit the following reports:

- Section 904(b) of the FY 1997 NDAA requires the Secretary to submit the results of a review on the size, mission, organization and functions of Military Departments Headquarters staffs.
- Section 911(b) of the FY 1998 NDAA requires the Secretary to submit a report on DoD's plan to reduce management headquarters personnel by 25% and make recommendations regarding the revision of the DoD directive on management headquarters and the definition.
- Section 911(c) of the FY 1998 NDAA expanded the duties of the Task Force on Defense Reform to assess duplications, streamline, reduce and eliminate redundancies in DoD management headquarters and requires the Secretary to submit a report on their recommendations.

Enclosed are the results of the Department's review on Military Department Headquarters staff, as required under Section 904(b) of the FY 1997 NDAA. The report requiring recommendations on the DoD directive and definition on management headquarters under the FY98 NDAA was submitted on April 22, 1999. We are currently preparing our response to the remaining requirements in the FY 1998 NDAA and will submit it as soon as possible. In addition, briefings are being prepared for your staff once the reports are complete.

I hope the enclosed is responsive to your concerns.

John J. Hamre

cc: Honorable John P. Murtha